BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca *Issue: 04-40* *October 8, 2004*

- **BC's unemployment rate falls to its lowest level since the end of last year**
- **Housing starts down 13.6% in September**
- **Gambling expenditures in BC averaged $366 per person in 2002**

Labour Force

- **British Columbia's unemployment rate fell 0.6 percentage points in September, dropping to 7.1% (*seasonally adjusted*) its lowest level since the end of last year.** The improvement in the unemployment rate was due to strong job growth (+0.6%, or a net gain of 12,900 jobs) between August and September. However, the labour force shrank (-0.1%) for the third month in a row.

  Jobless rates in the rest of the country ranged from 4.8% in Alberta to 15.9% in Newfoundland. The Canadian unemployment rate edged down (-0.1 percentage point) to 7.1%. As was the case in BC, job growth (+0.3%) was the main reason for the improvement, but this was tempered by a marginal increase (+0.1%) in the size of the labour force. *Data Source: Statistics Canada*

- **The province's goods (+0.5%) and service (+0.7%) sectors both took on more workers in September.** In the goods sector, job gains were localized in construction (+5.8%) and, to a lesser extent, manufacturing (+0.3%). These two industries account for more than 80% of total employment in the sector. The number of people with jobs in primary industries fell 6.9% in September.

  Employment gains in the service industries were largely in public-sector-oriented services such as education (+8.0%) and health (+3.3%). Management & administration services (+1.7%) and the wholesale & retail trade (+1.0%) industry also hired more workers. However, there were fewer jobs in transportation & warehousing (-2.2%), information, culture & recreational services (-4.1%) and finance, insurance & real estate (-4.5%).

  Data Source: Statistics Canada

- **Both men (+0.9%) and women (+0.3%) benefited from a more robust job market.** The private (+1.5%) and public (+1.7%) sectors took on more workers, but fewer people were self-employed (-3.1%). Full-time employment (+1.6%) increased for the first time in three months, but there were fewer part-time jobs (-2.8%). The youth (15-24) unemployment rate inched up to 14.1%, nearly double the average for all age groups. *Data Source: Statistics Canada*

- **Relative to September 2003, there were fewer jobs in northern BC (-7.4%, 3-month-moving average, in North Coast/Nechako and -3.6% in Northeast).** Other regions of the province saw significant job growth during the 12-month period ending in September. Unemployment rates were down or flat in every region. In the north, the labour force shrank in tandem with the decline in employment. North Coast/Nechako (11.5%) was the only region with a double-digit jobless rate. Unemployment rates in the rest of the province ranged from 6.3% in Northeast to 8.3% in Kootenay.

  Data Source: Statistics Canada

The Economy

- **The number of housing starts in the province fell 13.6% (*seasonally adjusted*) in September, dropping to an annualized total of 33,700.** Nationally, the number of starts fell 4.2%, reflecting downturns in three of the four largest provinces. Alberta (+12.1%) posted a solid gain, but starts were lower in Ontario (-6.2%) and Quebec (-1.3%). Housing contractors on the east coast were kept busy: starts were up in three of the four Atlantic provinces.

  Data Source: CMHC

- **The value of building permits issued by BC municipalities fell 5.4% (*seasonally adjusted*) between July and August.** The decline was largely due to a downturn in the residential sector (-14.0%). Permits for non-residential pro-

Report NAFTA panel findings favour Canada

Did you know...
Bingo isn't very popular in BC: only 4% of households reported playing the game in 2002. It's a fairly common pastime in Newfoundland, where 17% of households play.

jects increased significantly (+19.0%) after slumping in July. The increase was supported by an upturn in planned spending on industrial (+34.2%) and commercial (+79.4%) projects as building intentions rebounded from a slowdown in July. Planned spending on institutional projects declined (-44.5%) for the first time since April. Permits in both Vancouver (-12.5%) and Victoria (-12.2%) were down significantly from July levels. *Data Source: Statistics Canada*

- **During the first eight months of 2004, the value of building permits issued in the province was 30.1% higher than in the same period last year.** Most regions of the province experienced a surge in planned construction projects, with particularly strong gains in the north. Year-to-date, the value of permits issued in Northeast (+67.4%) and Nechako (+48.6%) was up substantially, with Mainland/Southwest (+36.8%) and Thompson/Okanagan (+25.3%) also posting very strong growth. Building intentions in Cariboo (+19.9%) and Vancouver Island/Coast (+15.8%) have also been robust so far this year. However, the value of planned new projects in North Coast (-44.6%) and Kootenay (-5.6%) is well below 2003 year-to-date levels.

  Data Source: Statistics Canada & BC Stats

- **Sawmills and planing mills in BC produced 15.5% more lumber this July than in the same month last year.** Higher production at coastal mills (+31.2%) boosted overall output, but mills in the Interior (+12.8%) were also busy. Year-to-date, sawmill production in the province was up 5.6%. *Data Source: Statistics Canada*

- **There were 610 consumer bankruptcies registered in the province in August, down from 684 in the same month of 2003.** Bankruptcies in the province have been declining throughout the year, continuing a downward trend that began in the summer of 2003.

  Data Source: Industry Canada

- **The number of business bankruptcies in BC rose to 74 this August, from 61 a year earlier.** More than half of the bankruptcies were in three industries: retail trade (16), construction (12) and accommodation & food services (9). Nationally, the number of bankruptcies increased 4.2% during the twelve-month period ending in August, rising to a total of 595.

  Data Source: Industry Canada

Gambling

- **Revenues from lotteries, casinos and other types of government-controlled gambling in the province totalled $1.2 billion in 2002, nearly half ($656 million) of which went into provincial government coffers.** The BC government received 4.5% of its total revenues from various types of gambling in 2002. Gambling profits have tripled since 1993, when they totalled $221 million.

  Nation-wide, provincial governments received just over $6.0 billion in profits from gambling operations, representing 5.6% of their total revenues in 2002. Ontario (6.7%) was most dependent on gambling as a source of revenue, while PEI's government (3.0%) was the least dependent on lotteries these activities.

  Data Source: SC, Catalogue 75-001-XPE

- **British Columbians spent an average of $366 per person (aged 18 and over) gambling in 2002.** In Alberta, where VLTs have proliferated in recent years, per capita spending on gambling was $620. This was significantly higher than in any other province, and well above the national average ($483). Saskatchewan ($589), Manitoba ($568) and Ontario ($502) were the only other provinces where spending exceeded $500. Spending was lowest in PEI ($296).

  Seventy percent of BC households said they participated in some form of gambling in 2002, with government lotteries (63%) being the most common type of expenditure. Thirty percent bought other types of lottery or raffle tickets, 17% visited casinos or used slot machines, and 4% played bingo. Among households that engaged in these activities, average reported spending on casinos and slot machines was $696, considerably more than spending on lotteries ($256) or bingo ($407). It is estimated that gambling expenditures are usually underreported by more than 50%.

  Data Source: SC, Catalogue 75-001-XPE

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October 8, 2004

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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Contact: Dan Schrier (250) 387-0376
Originally published in *Exports*, Issue 04-07. Annual Subscription $60 +GST

NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute

Canada has scored a decisive victory in the softwood lumber dispute with the United States

The lengthy softwood lumber trade dispute between Canada and the United States may finally be nearing an end. The NAFTA panel that was set up to investigate whether or not Canada's softwood lumber exports to the United States pose a threat of injury to the American industry has found definitively in Canada's favour. This decision is a critical victory for Canada since US law requires that a threat of injury must exist for duties to be levied.

The most recent NAFTA ruling makes the issues of subsidization and dumping moot—without injury, there cannot be duties

Following an investigation initiated by a petition from the American lumber lobby, the United States Department of Commerce (USDOC) assessed a combined countervailing and anti-dumping duty of 27.2% on imports of softwood lumber from Canada. This action resulted in a slew of Canadian challenges under Chapter 19 of the North American Free Trade Agreement (NAFTA), as well as challenges before the World Trade Organization (WTO). The results of these challenges have been mixed, but both the WTO and NAFTA agree that the USDOC erred in its methods of calculating duties. They also both agree that the US International Trade Commission (ITC) did not sufficiently prove that the US lumber industry has been harmed by imports of Canadian lumber, which essentially makes all prior rulings on countervailing and anti-dumping duties moot. If the ITC cannot prove injury, it is compelled to remove the duties on Canadian softwood lumber.

The NAFTA panel used some strong language in its latest finding, even going so far as to suggest the ITC was undermining the dispute resolution process:

> The Commission has made it abundantly clear to this Panel that it is simply unwilling to accept this Panel's review authority under Chapter 19 of the NAFTA and has consistently ignored the authority of this Panel in an effort to preserve its finding of threat of material injury. This conduct obviates the impartiality of the agency decision-making process, and severely undermines the entire Chapter 19 panel review process.[1]

The NAFTA panel ruled that it "would be an exercise in futility" to issue another remand to the US International Trade Commission

The Panel further stated that since the ITC has failed to bring new evidence before the Panel to support its claims, it "would be an exercise in futility" to remand the issue yet again in that it would

[1] The entire text of the Panel's decision is available online at http://www.nafta-sec-alena.org/app/DocRepository/1/Dispute/english/NAFTA_Chapter_19/USA/ua02072e.pdf

amount to "an 'idle and useless formality,' as it would not result in anything but another insupportable affirmative threat of material injury finding." In light of its findings, the Panel took the unusual step of directing the ITC to, within ten days, "make a determination consistent with the decision of this Panel that the evidence on record does not support a finding of threat of material injury."

To date, Canadian forest companies have paid approximately $US 2.6 billion in duties that, were the United States to accept the NAFTA panel's decision, should now be returned to Canada. However, the US government still has the option of launching an extraordinary challenge, which could drag the dispute out for several more months. The American lumber industry remains adamant that the fight is not yet over and insists that it will push for an extraordinary challenge.

An extraordinary challenge by the United States could still drag out the dispute over several more months

Technically, an extraordinary challenge is only to be used when it is felt that there is a major conflict of interest on the panel, or if the panel breaks the rules, or exceeds its authority. Nevertheless, the American lumber lobby is determined to press on with the challenge and attack the NAFTA dispute settlement process. It is clear from the evidence cited in the NAFTA panel's latest decision that it has anticipated reluctance on the part of the United States to accept their findings and has recognized the likelihood of an extraordinary challenge. In a concurring opinion, American panellist Mark Joelson states, "For anyone to argue that the Panel's proceedings have lacked due process, as to either the parties or the agency, is untenable. Due process is not endless process." He summarizes his decision as follows:

"Due process is not endless process."

> The Commission has made it plain by its actions and words that it is disinclined to accept the Panel's review authority under Chapter 19 in this case. Given this situation and the extended amount of time which has already been consumed by this proceeding, for the Panel to postpone finality by issuing yet another open-ended remand instruction to the Commission would be to allow the Chapter 19 process to become a mockery and an exercise in futility.

Indeed, if the United States refuses to accept the authority of the Panel, the NAFTA itself could be in danger. In recognition of the potential serious consequences, the Canadian government is sending strong messages to its American counterpart that it fully expects that the United States will live up to its commitments and remove the duties from Canadian softwood lumber. Prime Minister Martin spoke frankly to a business conference in Sun Valley, Idaho, stating, "you are an extremely litigious society and you seem to be able to find ways around what were supposed to be binding settlements. And I can tell you it is beginning to grind and it's going to hurt the North American economy if we don't deal

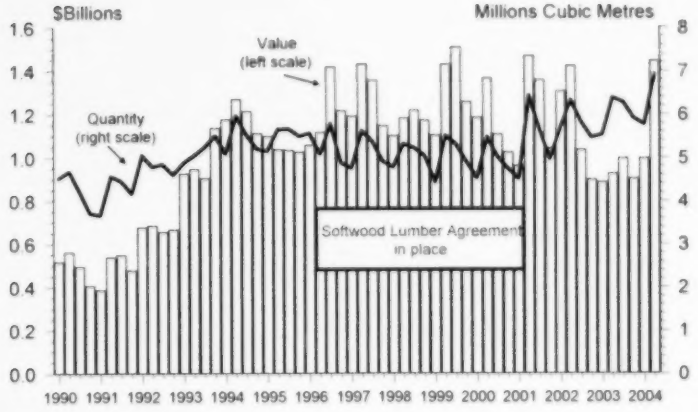
with it."[2] Despite the tough talk, there seems to be an acceptance among the Canadian side in the dispute that the Americans will not give in with an election just months away.

The lingering dispute has had a significant effect on the Canadian lumber industry. In British Columbia alone, there have been thousands of layoffs in the forest sector and a number of mill closures since the dispute began.

In an effort to stay in business, forest companies in BC boosted efficiency by closing inefficient mills and shifting production to those that were more efficient, then ramped up production significantly at those mills to take advantage of economies of scale. Despite strong demand for lumber in the United States, the increased supply in the marketplace resulted in depressed prices. Until recently, quantities of softwood lumber shipped to the United States were up significantly from the volumes exported during the term of the *Softwood Lumber Agreement*, but revenues were down due to low prices. In recent months, heavy demand for building materials has resulted in substantially higher prices for wood and BC lumber manufacturers have benefited with export values not seen in about two years.

The Softwood Lumber Agreement *was signed in May 1996 and expired at the end of March 2001. It put quotas on the amount of Canadian timber that could be exported to the United States duty-free.*

The value of exports of softwood lumber* from BC to the US fell while quantities shipped climbed



*Excluding siding

While quantities of lumber shipped to the US increased, prices fell, which resulted in a drop in the value of lumber exports. More recently, high demand for building products has boosted the price of lumber and BC lumber producers are reaping the benefits.

Ironically, once the tariffs are eventually removed, the Canadian industry will be left in a much stronger position and will be even more competitive with its American counterparts. The gains in efficiency have reduced costs and without the anchor of a 27.2% duty, Canadian forest companies should be able to thrive. However, if history has taught us anything, it is that Canada may have

[2] As quoted in Steve Mertl, "Canada to Step up Pressure on U.S.," *Victoria Times Colonist*, September 2, 2004, p. C1.

won this battle, but there is nothing to prevent the American lumber lobby from once again launching an attack on Canadian lumber. The current dispute is the fourth in the last two decades and the rhetoric from the American lumber lobby indicates that it won't be the last.

Other Trade News

On the same day that the NAFTA panel brought down the "final" word in the softwood lumber dispute, the WTO gave permission to Canada and several other countries, including the European Union, to impose trade sanctions on the United States for refusing to eliminate an unfair trade law. The law, commonly referred to as the Byrd Amendment, stipulates that any punitive duties it collects from foreign trade be distributed to the companies that filed the complaints against the foreign exporters. In effect, the result of this measure is to give a double benefit to the American companies by not only punishing their rivals, but also providing them with a financial gain via their competitors' fines. The WTO previously ruled that the Byrd Amendment was illegal and ordered the United States to drop the measure by the end of 2003; however, the United States Congress has yet to act on repealing the law despite calls by President Bush to do so. The complainants are urging the United States to live up to its WTO obligations and are holding off exercising their retaliatory rights at this time with the hope that the US government will succumb to pressure and rescind the Byrd Amendment.

The WTO has given authorization for trade sanctions against the United States if the Byrd Amendment is not repealed

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Agenda

7:30 - 9:00	Registration & Continental Breakfast
9:00 - 9:15	Welcome
9:15 - 10:15	Dr. Doug Norris
10:15 - 10:45	Break
10:45 - 11:40	David Baxter
11:40 - 12:00	Question and Answer
12:00 - 1:00	Lunch (provided)
1:00 - 2:30	Social Panel / Question & Answer
2:30 - 3:00	Break
3:00 - 4:30	Economic Panel / Question & Answer
4:30	Wrap Up / Adjourn

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for more details

Guest Speakers

- Dr. Doug Norris - Director General, Census and Demographic Statistics Branch, Statistics Canada
- David Baxter - Executive Director, Urban Futures Institute

Panel Members

- Social Panel - Dr. Gloria Gutman, Doug Sabourin, Dr. Charles Ungerleider
- Economic Panel - Kevin Evans, Ken Peacock, Dr. Donna Palmer

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October 8, 2004

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BC at a glance . . .

POPULATION (thousands)	Jul 1/04	% change on one year ago
BC	4,196.4	1.1
Canada	31,825.4	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	142,418	5.1
GDP *($ 1997 millions)*	130,914	2.2
GDP *($ 1997 per Capita)*	31,572	1.4
Personal Disposable Income *($ 1997 per Capita)*	19,495	-0.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jul	3,595	1.2
Merchandise Exports - Jul	2,820	0.4
Retail Sales - Jul	3,964	1.2
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Aug '04	% change
BC	123.3	1.8
Canada	124.8	1.7
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Sep '04	prev. month
Labour Force - BC	2,238	-0.1
Employed - BC	2,080	0.6
Unemployed - BC	158	-8.3
		Aug '04
Unemployment Rate - BC *(percent)*	7.1	7.7
Unemployment Rate - Canada *(percent)*	7.1	7.2
INTEREST RATES (percent)	Oct 6/04	Oct 8/03
Prime Business Rate	4.00	4.50
Conventional Mortgages - 1 year	4.80	4.55
- 5 year	6.30	6.15
US/CANADA EXCHANGE RATE	Oct 6/04	Oct 8/03
(avg. noon spot rate) Cdn $	1.2593	1.3336
US $ *(reciprocal of the closing rate)*	0.7941	0.7499
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Sep '04	one year ago
BC	696.72	1.4
Canada	685.60	2.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Released this week by BC STATS

- Business Indicators, September 2004
- Current Statistics, September 2004
- Migration Highlights, 2nd Quarter, 2004
- Immigration Highlights, 2nd Quarter, 2004
- Quarterly Regional Statistics, 2nd Quarter 2004
- Small Business Quarterly, 2nd Quarter 2004

Next week

- Labour Force Statistics, September 2004
- Earnings & Employment Trends, Sept. 2004

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